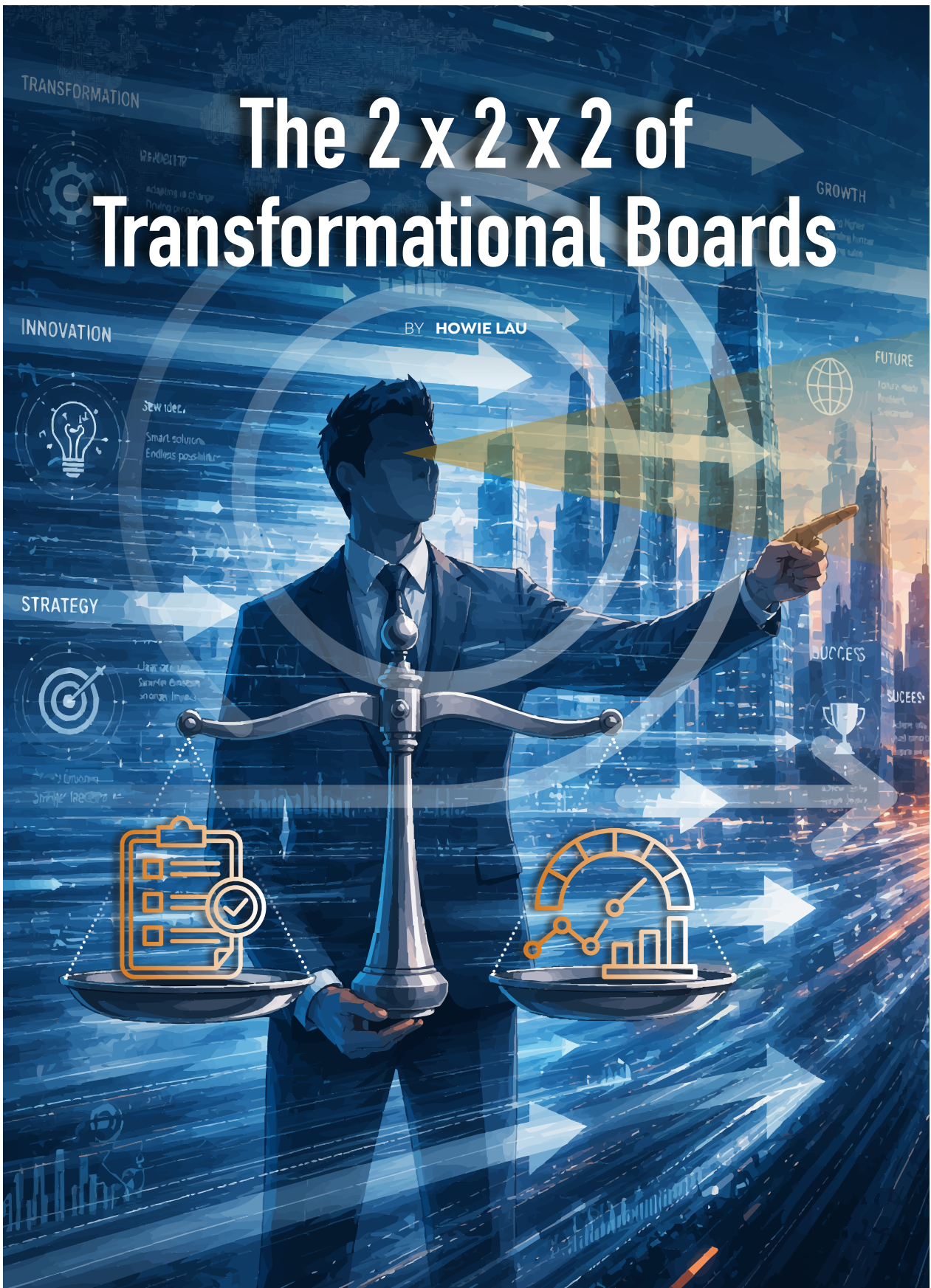


# The 2 x 2 x 2 of Transformational Boards

BY HOWIE LAU



**As AI, cyber risk and geopolitical fractures redraw the business landscape, boards that cling to compliance risk obsolescence. The real test is no longer governance alone, but whether directors can balance conformance with performance. And step up as catalysts shaping the future, not merely custodians of the past.**

The modern corporate board operates under unprecedented stress. Disruptive artificial intelligence (AI) technologies, growing cyber risks, geopolitical fragmentation, increased liabilities and the urgent demands of sustainability have shattered the comfortable rhythm of directorship.

Businesses, governments and other organisations face the dire need for transformation or face displacement and irrelevance. In this environment, the traditional role of the board as custodian, with a meticulous focus on conformance, is no longer sufficient.

Increasingly, boards must evolve to face the transformational challenges.

Good governance is about achieving a strong, synergistic balance between conformance (accountability) and performance (growth). However, this foundational principle for long-term stakeholder value creation has to be reassessed in light of the changing environment.

A board that is *primarily* focused on conformance is a relic of a bygone era. To ensure long-term sustainable value creation and competitive advantage in this disruptive era, boards must evolve into catalysts. In other words, corporate leadership must transition into a transformational phase. This shift demands a strategic reallocation of focus from the rear-view mirror to the strategic horizon.

### **The boardroom agenda**

A simple look back at the time spent on key topics in board meetings would be a good indication of where

a board is prioritising its efforts. If the majority of board agendas are focused on ERM (enterprise risk management), audit reports, short-term financial reporting, regulatory compliance, and the like, perhaps there's too high a focus on conformance. Board agendas covering strategic investments, strategy development, leadership bench, culture and talent could indicate a higher focus on performance.

The path towards a Transformational Board is mapped out in the framework shown in the box, "Types of Boards: Conformance vs Performance".

The primary axis of board priorities involves balancing conformance (compliance and control) with performance (strategy and growth). By mapping these, we have four core board archetypes.

#### **Archetype 1: The Compliant Board**

This type of board is meticulous, risk-averse, and focused on control. It excels at internal audits, risk mitigation, and ensuring pristine financial reporting. However, the prioritisation of safety often comes at the expense of growth. By prioritising time, effort and resources on high conformance and less on performance, this board creates a company that is well-governed but ultimately stagnant – secure in the present, but entirely unprepared for upcoming disruptions. Such boards could exist in previously stable industries.

#### **Archetype 2: The Rogue Board**

This quadrant presents the highest risk. Chasing high performance without a commitment to conformance, this board aggressively seeks short-term returns while

neglecting ethics, controls and regulatory adherence. This posture inevitably leads to major governance failures, compliance breaches, or ethical scandals. There are sufficient examples of such boards in public cases such as FTX, Theranos, Cordlife and eFishery.

**Archetype 3: The Sleeping Board**

This is the lowest common denominator, characterised by a lack of engagement on both dimensions. Directors are passive, unprepared, and serve merely as a legal formality. This is embodied in the terms “sleeping director” and “rubber-stamping boards”, where the participating directors could be sitting on a high number of boards. Whilst Singapore’s Companies Act does not impose a hard limit on the number of boards a director may serve on, this type of board and its directors represent an existential threat to the organisation’s viability.

**Archetype 4: The Transformational Board**

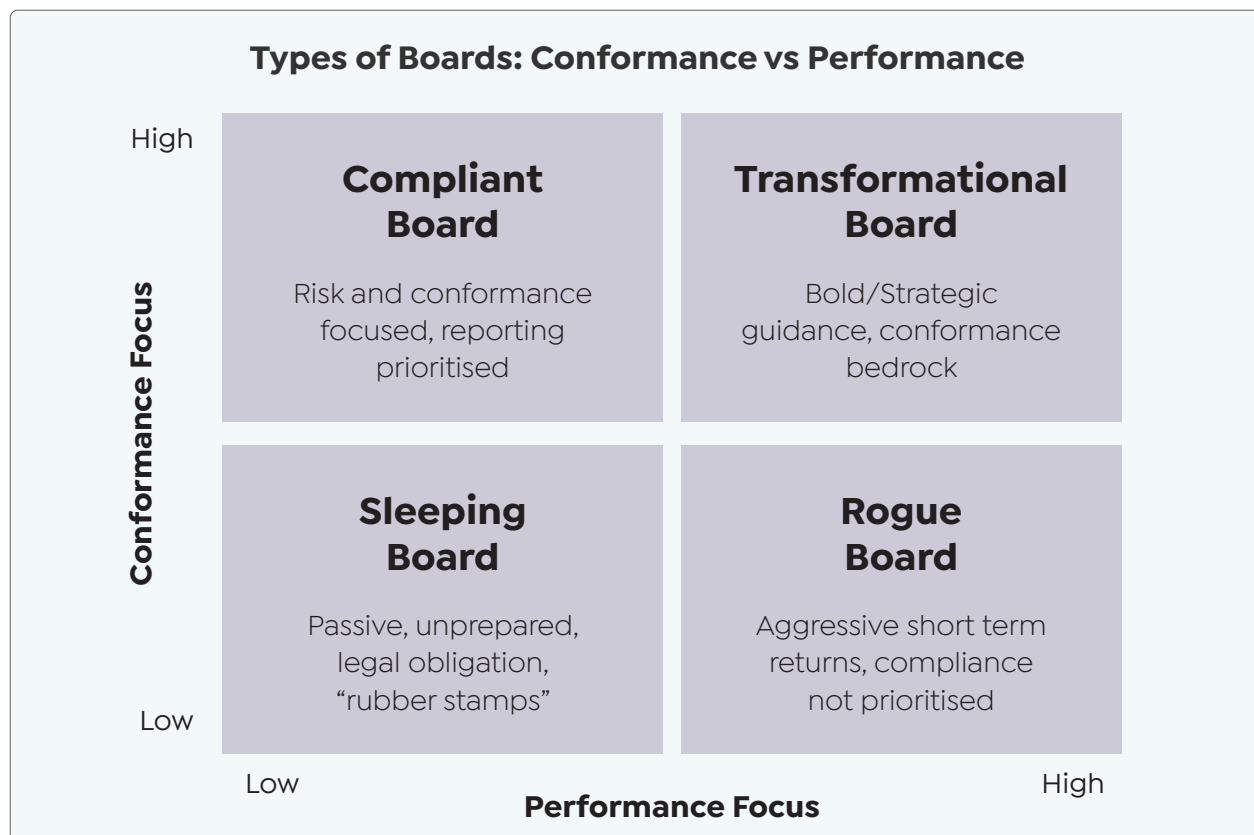
This is the ideal type of board. It achieves the dual mandate by viewing strong conformance as the robust

bedrock upon which bold strategies can be built. This board ensures compliance is efficient and digitally robust, freeing up time and cognitive bandwidth to focus on the strategic, generative discussions that truly unlock future value. This board does not choose between conformance and performance; it masters both to achieve sustainable value creation. This type of board is few and far between.

**The role of the board**

The four broad board archetypes (as shown in the Conformance vs Performance Framework) may be simplistic, but they create a discourse on where your board might be spending the majority of its time, effort and energy. More importantly, does it fit the environment, circumstances, or market your organisation operates in?

Here, we can look at the roles a board plays, as outlined in the box, “Board Roles: Field of Vision vs Time Horizon”, and expanded in “Four Potential Roles and Example Activities”.



Strong, effective boards are never single-dimensional and will shape-shift, based on the requirements of the organisation. This maps the four potential roles that boards might play, based on time horizons (short term versus long term) and field of vision.

A board’s field of vision could be focused internally (and historically) in the rear-view mirror; or it could shift to a more external lens with a stronger peer into future scenarios.

As the apex leadership of the organisation, how a board spends its time and what it covers on the board agenda should align with the requirements of the organisation and those of its stakeholders. Misalignment could lead the organisation astray and create discord between shareholders and management. Here are four potential roles and example activities.

A transformational approach requires the board to look both outside the walls of the organisation and beyond the next few fiscal years. This requires the

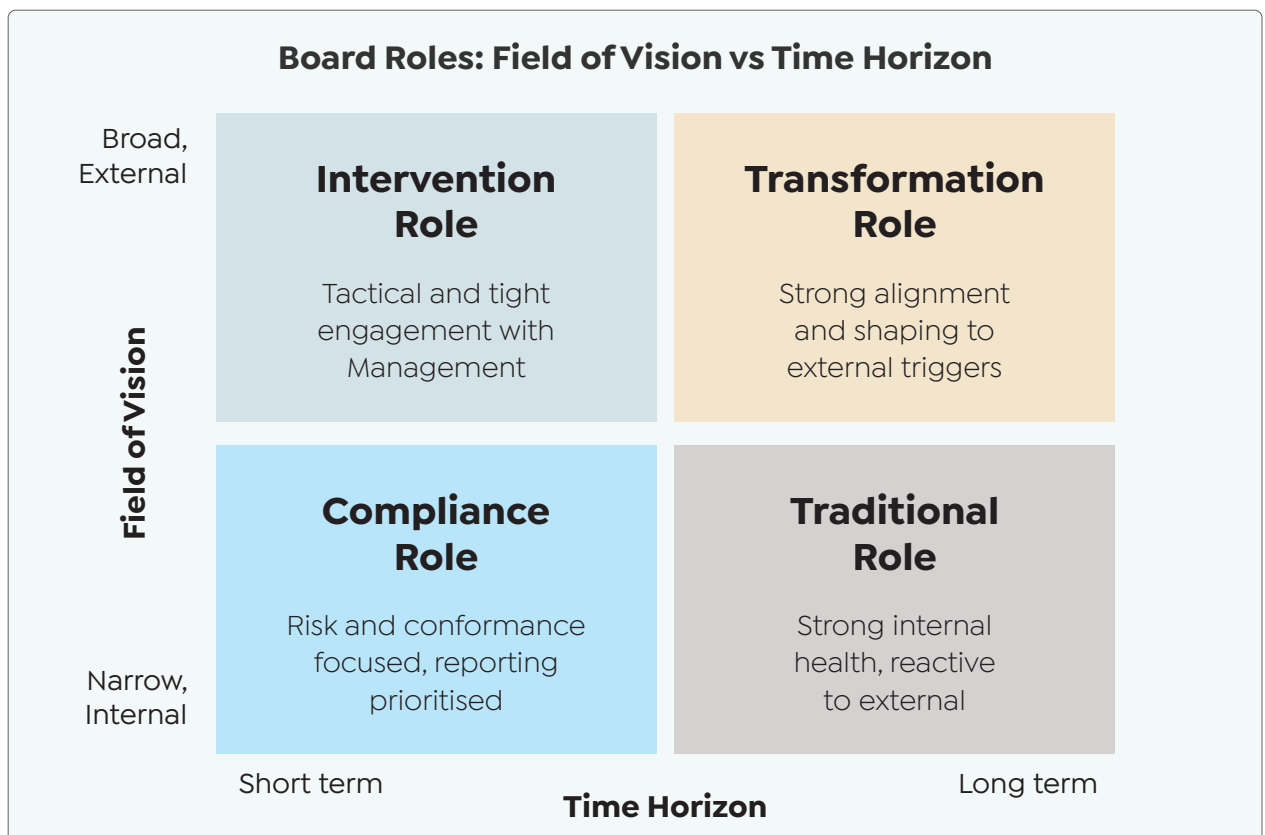
board to invest time, effort and resources, together with management. The transformational role of a board is a deliberate commitment of resources and intention, and is perhaps less well defined than the compliance, intervention, and traditional roles of the board.

**The mandate for change**

For Singapore’s corporate landscape, this evolution is a strategic imperative. The Singapore Exchange and the broader regulatory environment are increasingly placing pressure on directors to demonstrate integrated strategic oversight, including the adoption of AI, management of cyber risks, and rising sustainability requirements.

The shift is not about working harder, but working smarter – and differently. Moving the needle toward the Transformational quadrants requires concrete, intentional steps:

1. **Board composition and skills:** Boards must move beyond traditional skill requirements (finance, audit, legal) to actively recruit directors with



## Four Potential Roles and Example Activities

### Compliance Role

(Narrow, Internal | Short term)

This role focuses on risk and conformance, prioritising reporting and adherence to rules.

Area of Focus	Example Activities
Regulatory adherence	Reviewing and approving the annual audit plan and financial statements.
Risk and conformance	Analysing reports on key risk indicators, internal control breakdowns, and compliance investigation findings.
Internal policies	Approving updates to the Code of Conduct, anti-money laundering policies, or data privacy protocols (e.g., PDPC).
Monitoring	Receiving and acting on reports from the whistleblower hotline and ensuring legal and ethical obligations are met quarterly.

### Intervention Role

(Broad, External | Short term)

This role engages tactically with management to address immediate external issues or performance crises.

Area of Focus	Example Activities
Crisis management	Authorising an emergency funding round or restructuring team during a sudden, sharp downturn in the market or a major reputational scandal.
Short-term course correction	Working closely with the CEO to develop a 90-day turnaround plan to address a quarterly earnings miss or an unexpected competitor move.
Targeted oversight	Deep-diving into a specific, urgent external threat, such as an unprecedented supply chain disruption or a hostile takeover bid.
Tactical approval	Rapidly approving the acquisition of a small competitor to immediately secure a critical technology or market share advantage.

demonstrable expertise in future-defining areas such as digital transformation (including AI and cyber), sustainability modelling, and geopolitical acumen. Diversity of thought through diversity of boards is necessary.

2. **Agenda governance:** A deliberate re-engineering of the board agenda is essential. Mandate that at least half of board meeting time is allocated to generative discussion, deep-dive strategy sessions, and scenario planning. A strong conformance

foundation remains key and could be streamlined through routine compliance reporting and delegation to committees with clearly defined, efficient processes.

3. **Information quality:** Demand board papers that prioritise forward-looking competitive intelligence, “wild card” scenarios, and data linked to long-term value creation, rather than just historical reports and compliance checklists. This will require investments or partnerships, or both.

### Traditional Role

(Narrow, Internal | Long term)

This role focuses on strong internal health and long-term stability, but is reactive to external change.

Area of Focus	Example Activities
Internal health/stability	Overseeing CEO succession planning and leadership development to ensure continuity over the next five years.
Core governance	Approving the long-term corporate budget and capital allocation plan, focusing on maintaining existing profitability.
Reactive strategy	Discussing the impact of a new disruptive technology after it has emerged in the market, then tasking management to develop a defensive strategy.
Fiduciary duties	Ensuring the long-term financial viability and safeguarding the company's assets and shareholder value.

### Transformation Role

(Broad, External | Long term)

This role focuses on strong alignment with external triggers, shaping the organisation for the future.

Area of Focus	Example Activities
Strategic foresight	Dedicating a full day to debating the long-term implications of AI on the company's core business model and defining a new 10-year strategy based on future trends.
Proactive shaping	Directing management to divest from a profitable but non-core business line to free up capital for an investment in a revolutionary new market.
External alignment	Establishing and monitoring ambitious sustainability targets to align the company with evolving societal and investor expectations.
Cultural shift	Overseeing a complete digital transformation of the company, approving the investment in new leadership and technology required for a major change in operations.

### Transformation agenda

Most board directors would agree that we are already in the era of disruption, regardless of the acronyms used (e.g., VUCA, BANI). Most boards would also agree there is an urgent need to catalyse the transformation of their organisations to emerge stronger and more competitive. This requires a change of mindset accompanied by new actions and behaviours (and board agendas).

While good conformance remains paramount, it is only the starting point.

The choice for every board chair today is stark: to assemble the right team, to define the right mix of performance and conformance and to dedicate time, effort and resources towards the new transformation agenda.

The task for directors is to ask ourselves: *Are we ready to transform ourselves as we transition from Custodians to Catalysts?* ●

| Howie Lau is a Governing Council member of SID and chairs the SID Directors Bulletin committee.